

WASHINGTON STATE GAMBLING COMMISSION

2004 CENTENNIAL ACCORD REPORT

Introduction

Of the 29 federally recognized Tribes in Washington State, 27 have Compacts for Class III gaming; currently, 20 of the Tribes operate 24 casinos. The Cowlitz and Spokane Tribes do not yet have Compacts, but the State is in negotiations with the Cowlitz Tribe and plans to begin negotiations with the Spokane Tribe in December.

Tribal gaming in Washington State has continued to increase in recent years, as shown on the attached chart of net receipt comparisons.¹ Tribal casinos accounted for 58% (\$888 million) of all gaming net receipts in the state for 2004.

This report highlights some of the activities and changes that the State has implemented within the last year to better enhance the co-regulatory relationship between the State and Tribal gaming agencies.

1. Recent Amendments and Implementation of Other Compact Provisions

- a. Port Gamble S'Klallam Tribe Amendment. In February, the Port Gamble S'Klallam Tribe and the State entered into the Second Amendment to the Tribe's Class III Gaming Compact. Among other changes, the Amendment provided that the Tribe would determine the awards it pays to local jurisdictions for impacts associated with Class III gaming activities, instead of having awards determined by a Committee comprised of Tribal, State, and local government representatives. The Amendment also provided that the Tribe, instead of the State, would have primary responsibility for employee licensing. Last, it provided a process and standards for renegotiating any subsequent amendments.
- b. Puyallup Tribe Amendment. In November, Governor Locke signed the Third Amendment to the Compact for the Puyallup Tribe, which has been forwarded to the Secretary of the Interior for approval. The Tribe requested renegotiations after it executed an Interlocal Agreement concerning an estimated \$210 million expansion project being carried out by the Port of Tacoma. In order to construct its new facility, the Port petitioned for the closure of Alexander Avenue, the arterial for the main facility of the Tribe's Emerald Queen Casino ("EQC"). Under the terms of the Agreement, the Tribe agreed to accommodate the Port's project by relocating the Alexander Avenue facility of the EQC.

The Amendment provides for the Tribe to operate one of its two gaming facilities on fee land located within the boundaries of the Puyallup Reservation. The Tribe must demonstrate that it has jurisdiction over the land, as required by IGRA, as well as its efforts to transfer the land into trust. Gaming may occur at the fee land facility for up to

¹ "Net receipts" means the amount wagered, less prizes paid.

an initial three-year period, with another three year extension available upon notice to the State.

- c. Implementation of Other Compact Provisions. Because some Compacts and Amendments negotiated in recent years have provided for additional gaming opportunities, other Tribes may request the same provisions through each Compact's Most Favored Nations clause. To expedite this process, the Commission has developed Memorandums of Incorporation (MOI) to include by reference additional gaming provisions from other Compacts without the need for a formal Amendment. In June of this year, the State and the Puyallup Tribe entered into an MOI to increase the number of Tribal Lottery System (TLS) machines at one location from 1,500 to 2,000, incorporating language from the Colville Tribes' Compact.

The Commission's Tribal Gaming Unit worked closely with Tribal Gaming agents from both the Colville and Shoalwater Bay Tribes to transition the Tribes' pre-existing gaming facilities into operation according to the terms of their Compacts. The parties successfully accomplished the transition, with minimum downtime of gaming operations. Similarly, Tribal and State agents collaborated for the opening of the Stillaguamish Tribe's Angel of the Winds casino and the opening of the Tulalip Tribe's second facility. These events are significant and demonstrate the agency's effective regulatory relationship with Washington Tribes.

2. Improved Communication Between the Electronic Gambling Lab and the Tribal Gaming Agencies.

The demand for new electronic games has also continued to grow. As indicated by the attached chart, nearly 17,000 machines were in operation or had been leased to Tribes as of October 2004. The Commission's Electronic Gambling Lab tests all machines and games before they are made available for play by the public. For the 12 month period ending October 2004, the lab tested 157 machines.

To improve customer service, the Lab has implemented procedures for Tribal Gaming Agencies' (TGAs) approval prior to shipping TLS machines to the Tribes. The Lab includes the TGA in discussions prior to formal approvals of new technology components to the TLS and also provides training sessions for the TGAs concerning the operation and regulation of machine components. Additionally, the Lab solicits comments from the TGAs when drafting guidelines and recommendations concerning the TLS.

The Lab has also worked to assist TGAs in the regulatory process by developing a form for the TGAs to document questionable events and report them to the Lab for investigation. When the TGAs communicated a need for signature software to correct deficiencies in current applications, the Lab developed secure, user-friendly software to produce accurate, industry standard signatures. In addition, the Lab publishes a newsletter for the TGAs informing them of current events and new submissions.

3. Quarterly Meeting Agendas between Tribal and State Regulators

Each Compact provides for quarterly meetings between the Tribal and State gaming agencies. Although these meetings had not been routinely held for several years, the parties have reinstated them. Meeting agendas include discussions of current work plans, progress made toward the previous plan, and areas of concerns for both agencies. These meetings have helped improve our working relationships with the Tribes and have minimized, if not eliminated, redundant regulatory efforts.

4. Electronic Tribal Folders

The agency has developed an internet system providing both Tribal and State agency staff immediate access to information. Each Tribe has an electronic folder, containing such items as the Tribe's Compact, Amendments, Internal Controls, and Game Rules. In addition, there is a general correspondence folder all Tribes can access containing notifications of gambling-specific issues, regulatory tools our agency utilizes, as well as other information.

5. Criminal Cheating Cases

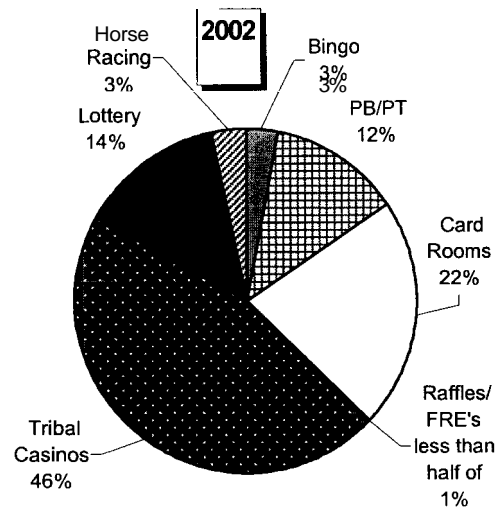
Over the past year, the Commission has assisted Tribes in pursuing and prosecuting individuals involved in criminal activity in Tribal casinos, such as dice-sliding or other incidents of cheating. Agency staff worked in cooperation with the Tribal gaming agencies, local law enforcement, federal law enforcement, and local and federal prosecutors to complete and successfully prosecute these criminal cases.

6. Tribal Licensing

Most compacted Tribes participate in the State's Class III Certification Program, which is similar to the agency's licensing programs for individuals. The Tribes are the licensing body and the Commission issues a certification (similar to a license) that the applicant qualifies under RCW 9.46. However, the agency has now developed an eligibility program that is specific to a couple of Tribes as a result of their Compacts. These Tribes are responsible for conducting licensing backgrounds of certain applicants, and agency staff verifies whether these applicants are eligible for licensure.

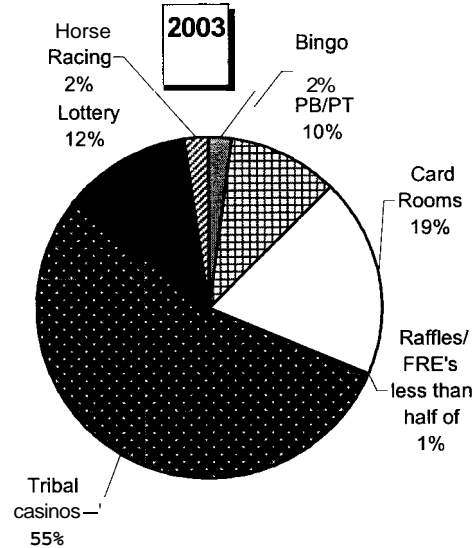
Fiscal Year NET RECEIPTS COMPARISON

(Net = amount wagered minus amount paid out as prizes)



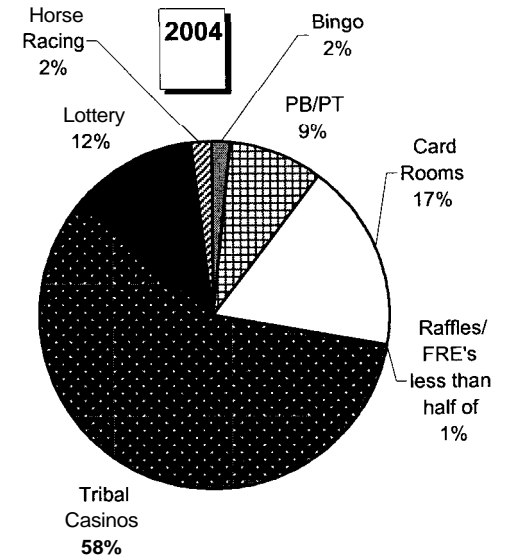
Bingo	34.0
PB/PT	141.4
Card Rooms	245.3
Raffles/FRE's	3.7
Tribal Casinos*	514.5
Lottery	156.4
Horse Racing	36.8

Total **\$1.132 B**



Bingo	29.5
PB/PT	135.8
Card Rooms	248.8
Raffles/FRE's	4.1
Tribal Casinos*	707.8
Lottery	162.4
Horse Racing	29.6

Total **\$1.318 B**



Bingo	27.1
PB/PT	132.0
Card Rooms	268.4
Raffles/FRE's	4.3
Tribal Casinos*	888.0
Lottery	186.0
Horse Racing	28.2

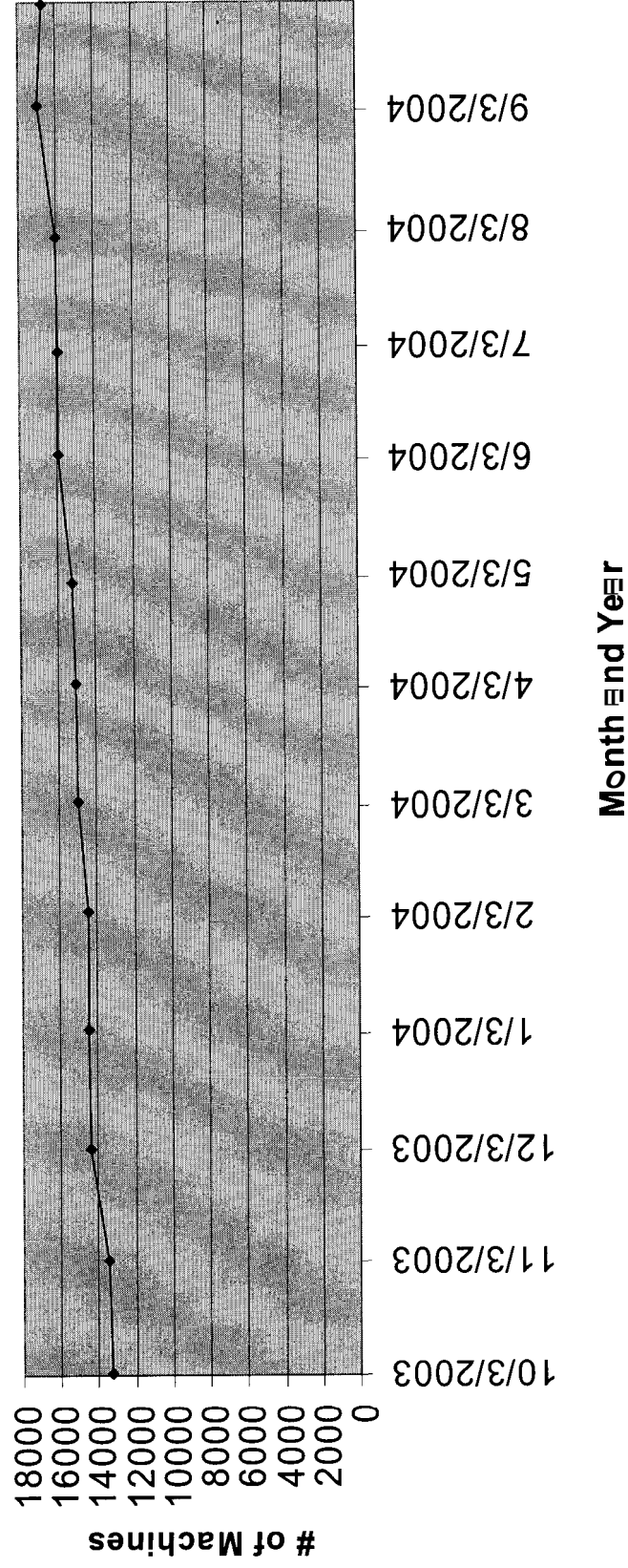
Total **\$1.534 B**

(Dollar amounts = millions M, except where noted for *totals* in billions B)

* Estimated

16674 as of October 2004

Growth of Tribal Lottery System



157 TLS Submissions processed during this time period.